



MEETING SUMMARY

CALIFORNIA WATER PLAN UPDATE 2013 FINANCE CAUCUS MEETING NOTES 10:00 A.M. – NOON 815 S STREET, SACRAMENTO, CA

Meeting Objectives

1. Review and refine proposed finance Shared Value Statements.
2. Discuss option for a new Water Plan guiding principle

Welcome and Introductions

The meeting began with a brief discussion of “buzz” words, which have been overused to the point of having lost their meaning. The Water Plan was urged to be thoughtful of when and how words are being used. They can be used too loosely and used in ways that bring different images to mind. For example, “alignment” originally surfaced to describe a desired alternative to situations where there is duplication of effort, or conflicting efforts. Likewise, cooperation and collaboration are different – it is possible to cooperate without collaborating.

Some concepts are always in the mix, without being said. Generally, approaches should be robust, resilient and sustainable. Where there are limits or constraints, that should be called out. Definitions are important. If you don’t describe the boundaries of what is being working towards, the word “sustainable” doesn’t have meaning. Context informs the definition of terms. If the context is not clear, the definitions and use of words won’t be clear. In discussing goals and objectives, in Volume 1, be sure to check for clarity – especially from the perspective of general readers.

Work to Date on Shared Value Statements

The statements build on materials provided at the March 28th meeting. The finance framework is a high-level strategic planning document, which will help establish a shared and comprehensive understanding of the financial context including current finance conditions. The meeting will focus on the values that should inform decision-making.

The finance planning chapter outline involves: Findings, Finance Framework (IWM scope and outcomes; IWM activities, existing funding, funding sustainability, state role and partnerships, future costs, funding who and how, tradeoffs), and Next Steps (where we think we need to go in the future – took these are far as we could for 2013). The funding “who and how” is where the shared values come into play, It’s a critical part of the plan.

The shared value statements were included in the working draft for Chapter 7. They were reworked at the April 11, 2013 Finance Caucus meeting and introduced at the May 2, 2013 Public AC meeting. The statements were also reviewed by the Land Use Caucus. The three categories of values include:



- Prioritization of Expenditures
- Fiduciary Responsibility (both fiscal responsibility and stewards for the disadvantaged)
- Cost Allocation

Discussions about the category of Fiduciary Responsibility noted that even though the concepts of fiscal responsibility and assistance to the disadvantaged are linked, they may belong in different categories. Allocation discusses ability to pay. This is really a statement about DACs.

Meeting participants walked through a worksheet, reviewing and discussing each of the value statements. Related *Water Plan Guiding Principles* were also listed for each value category.

Category: Prioritization of Expenditures

Statement: Investment decisions will include economic, environmental, and social criteria.

Value a) Decisions will be informed and priorities will be set using a process that includes broad stakeholder interests and includes public participation. Preference will be given to projects with regional and statewide multiple benefits and to disadvantaged communities.

Discussion

- How does a funding preference for DACs factor into the analysis. How do we spend money for the greater good of a larger majority? What's the right balance? E.g what if there was an 80% expenditure for 1% of the population.
- Maybe it's the use of the word "preference." This makes it sound as though, if funding is available it will go there. There will be many allocations: statewide, regional, local. We need to make sure that **DACs** also receive funding.
 - Might want to use the word "consideration" rather than "preference" for DACs.
 - Say: Consideration will be given to meeting the water management needs of DACs.
 - Is the word "consideration" strong enough? Somebody can consider something and dismiss it out of hand. When we said 'Preference' it says will be are creating criteria to address this. We don't want to encourage a practice of checking boxes.
 - There will be some discussion down the road about the criteria for prioritization. This will define what those criteria are and how they're weighted. That will tell you how strongly it's preferred.
 - "Consideration" is too weak. Either strengthen the word, or give DACs their own category.
 - If the sentences are separated, we can say that we are giving preference to DACs. That doesn't take away from the other. By joining the sentences, it implies that projects have to address both criteria.



- The triple bottom line is very supportable by the water agencies. Economic considerations address having a strong vibrant economy. Social considerations might address disadvantaged. Giving preference to DACs does not give equal weighting to the triple bottom line, it emphasizes social criteria. Stay with the triple bottom line.
- There is the matter of how a preference is applied. Does it have to be a regional or statewide project with **multiple benefits** to receive preference? Is a local project with multiple benefits at a disadvantage? Are statewide projects with single benefits at a disadvantage?
 - By putting “and” between the two, we are linking two ideas. Multiple benefits are preferred.
 - With DACs, there may be the need for a localized solution with one benefit.
 - Create two sentences. Trying to bundling these may complicate the question.
 - Can we talk about statewide multiple benefits? How would a local supply project, which reduces the need for imported water therefore creating statewide benefits, be evaluated? What about project in more remote areas that are not tied to the statewide system?
 - This should say regional “or” statewide benefits. (Note: Regional should come first.)
 - Are we talking about regional or statewide projects? Or projects with regional or statewide benefits? IRWM grants relate to regional projects with multiple benefits.
 - This is about IWM at multiple scales.
 - **PROPOSAL:** What if we say we are giving preference to multi-benefit projects that are regional or statewide in nature. (There was agreement and support for this wording.)
- What’s the definition of a DAC?
 - From the grants perspective, there is a definition that a DAC is below 80% MHI. It’s an economic standard. Many have said that definition doesn’t work. For urban areas, 80% of MHI is too low. There are severely disadvantaged communities and economically distressed communities.
 - Different pots of money use different definitions. This can be confusing.
 - This is a shared valued to take in account those situations where people may not necessarily be able to pay for program costs. This speaks to various issues – there are also pockets of poverty where people have not been treated fairly.



- **Scope of the value:**
 - Can we be very specific that this applies to the grant program. These guidelines don't apply to non-DWR projects. Not all IRWM is within the purview of this grant program. Suppose SAWPA puts in a project – will SAWPA be held to be these funding rules?
 - The Water Plan goes well beyond the IRWM grant program. IRWM goes well beyond DWR. We are moving to make the Water Plan a state plan that applies to all state agencies. The intention is that the values that we present here are not narrowly applied to DWR.
 - So, this is talking to the State investment of funds?
 - This is a framework for state investment at multiple scales and jurisdictions. This is guidance, not rules or mandates. Hopefully, by developing these values collaboratively, if water agencies put together an incentive program – that they would consider these as some of the shared values of their program.
 - You are suggesting that individual governing bodies would need to embrace these values to meet the strategic plan of California. I thought these values related to programs within the State purview.
 - I tend to agree with this and raised this earlier. We will need to define what the use of the word “public” means, when it appears later. The preamble text needs to be crystal clear to say that these values guide state expenditures. These values are aspirational. There will be strong pushback if these values are intended to guide local investments.
 - We need to be clear in this chapter about the context, the scope and what types of investments these shared values apply to. Anyway, the State is not able to tell local governing bodies how to make their decisions. It is inspirational. How can you disagree with what is good? In reality, every governing body makes its own decisions about local investments. There needs to be clear context about this chapter.
- **General Discussion:**
 - The heading says that decisions will be made using economic, environmental and social criteria. This should focus what these criteria are. Public health must fit in here somewhere. There are other sections that deal with fiduciary responsibilities.
 - This is about more than IRWM. Don't have an opinion on whether we use the word preference or consideration. The first part of it is addressing a transparent process with public participation. That's what is important and where the value is. So that people know how you are prioritizing.
 - **PROPOSAL:** Will strengthen that this is about transparency and making sure that people understand the process. There will be a discussion about the definition of DACs – and what is intended when we say that word.



Value b) Cost and benefit data used in the analysis should include life-cycle costs and emphasize long-term planning. Stranded costs should be avoided, and all costs should be included in the analysis, such as monitoring, planning, construction, operation, maintenance, mitigation and externalities.

Discussion

- Does this only look at the costs of project, or does it also cover ability to pay including costs to operate and maintain? Or does this raise the factors that need to guide which project to choose? O & M is considered when choosing which project to move forward. Is this about where to make investments? Or the narrower perspective of which project is investing in?
 - That type of distinction was not made.
- The intent of this needs to be refined. We could narrow it to say that when we do quantified cost-benefit analysis, here's how we will do it. We might add a preamble that says decisions should include both quantifiable and non-quantifiable costs and benefits. Regarding the relationships between values and guiding principles, this one is not totally compatible with Guiding Principle #6. These are similar but they use different language.
 - GP #6 is talking about programs and projects. Here we have raised the question of what this refers to. If projects are funded by bonds, generally O & M is not addressed. This goes into a more holistic perspective about what we invest in. If that is the case, we may need to say that and not refer to specific investments. The State can still choose not to cover O & M.
 - One of the intentions is to elaborate or apply many of the 2009 Guiding Principles. The cost-benefit data used in analyses relates to economic benefits referred to in GP #6. It helps us to apply the GPs in a meaningful way.

Value c) Decisions may need to be made despite limited knowledge. Deferring decisions until more is known generally increases cost of implementation, creates more (or perpetual) hesitation and forgoes opportunities to create benefits.

Discussion

- It seems that this should move over to fiduciary. The reason why the decisions would need to be made is that we are obligated to care for financial and natural and cultural resources. We make decisions to forego future costs. This strongly aligns with fiduciary responsibility.
- This may be related to GP #10.
- Philosophically, I agree. The world doesn't wait for you to get all this information.
- Delete the parenthetical aside. Say, "creates hesitation..."
- Look at language from GP #6.



Category: Fiduciary Responsibility

Statement: The State will be financially responsible with public monies and be stewards for the disadvantaged.

General Discussion

LB: Did have some discussion about this and the term “public.”

Cathy: When the City of San Diego raises money, which is public money. The state isn’t responsible for municipal money. “Public” really refers to State money.

Cheryl: Will take back what I said earlier. Stewards of DAC discussion should move to third category.

Value a) Decisions about investments must be in line with reasonable expectations about availability of future revenues, cost of borrowing and risks of indebtedness. This includes matching investments with appropriate funding mechanisms

Discussion

- No comments.

Value b) Good stewardship of public monies includes accountability, discipline to spend reasonably, clarity of purpose and personal integrity by those entrusted with public monies. Good stewardship engenders trust and increases the public’s willingness to pay for future IWM activities

Discussion

- Do we want to add transparency to accountability (as an adjective)?.

Value c) The public has a responsibility to help those who can’t help themselves. Public funding is also appropriate for helping communities meet regulations that they cannot fully cover.

Discussion

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- Tracie: Should we move this to the next category, where we group DAC issues?
- Al: Semantically, we need to scrub text for the word “public.” It appears in several contexts. It needs to say State government has responsibility. We can also say State funding. The first sentence is very global, should refer to water investments. This should also refer to communities rather than individuals.
- Kamyar: Ditto.



Value d) Funding should not be redirected from its intended benefits or beneficiaries. This includes avoidance of redirected funds during fiscal or other crises that were foreseeable and that resulted from decades of intentional policy decisions.

Discussion

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- The idea here is that when things get tight, special funds get raided. The SASC mentioned that because of the way that regulatory and bond programs are structured, there are needs where it would be logical to invest outside of your region to receive benefits. This may not be allowed by the funding rules.
- Tracie: Are we talking about the intended benefits and beneficiaries? Or the authorized purposes? Should this say that that funding not be directed away from intended purpose? What's the practicality of this? How would you write something to address this?
- Cheryl: Multi-benefit projects can get a little muddled with something like this.
- LB: The way a program is worded, there is an intention it go to a particular kind of use.

Value e) Amount of time needed to repay debt, shouldn't exceed length of time that benefits exist.

Discussion

- What about bonds that a long time to pay off v. emergency actions where there in an immediate short-term benefit? Or what about an invasive species benefit, where you have to go back and re-treat the area every five years? Is it the intent to exclude projects like that?.

Value f) State regulatory approaches should be outcome driven and incorporate (or address) affordability issues.

Discussion

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- Cathy: DACs don't benefit from having their taxes raised.
- KG: The tie-in is the affordability part – why would this only apply to regulatory approaches.
- Cathy: Want to acknowledge the overwhelming cost of compliance.
- Cathy: We don't have stormwater folks on the line. You would hear an earful about this.



- Megan: There is constant tension between affordability and state standards. Some standards may trump affordability.
- Al: I am sympathetic to affordability. There are state statutes, whether and to what extent affordability should be considered. Regulations should be managed efficiently and with consideration of affordability.
- Cathy: Are updating our IRWM plan. Just met with upper mgmt. – regulatory reform is where they landed on as where we need to invest our time and effort. Reservoir standards are set for drinking water quality, because there was nothing else to defer to.
- KG: That’s why I raised the issue in my previous statement – there is another objective about alignment. Is this better placed under the objective on regulatory alignment.
- LB: There is a value to consider what is affordable. Another piece is that some things are not a good ideal.
- Cheryl: Are we talking out State investment? We are not really talking about the regulator process increasing investments by local agencies.
- LB: This might fit better with the objective on agency alignment.
- Tracie: Regarding Guiding Principles, if we are separating out DACs, we might realign some of these. For example, the Guiding Principle on Environmental Justice.

Category: Cost Allocation

Statement: Those receiving benefits should pay for them if they have the capability to do so.

General Discussion

- There was some discussion about bundling DACs in this section.
- The “Ability to do so” means so many things, this phrase needs to be refined. Many public agencies have budgets where allocations have already been made. They don’t have ability to add something new into their budgets (therefore do not have the ability to add a particular investment into their budgets). I don’t think that’s what is intended here – it’s more about assisting disadvantaged communities.
- Were stressor-pays concepts discussed? I don’t see it in here.
 - Yes, that’s a big one. The Water Plan will adopt whatever the State policy is.
- This also needs to talk about the way the State might invest in a water infrastructure system, or might invest in funding assistance. How would this address grant programs, where beneficiaries are the funding recipients? We need to clarify that this is regarding large, statewide investments.
- Even though there are more examples of investment in funding assistance programs rather than mega-projects. What’s the rationale where there is 100% assistance?



- That the benefits that accrue to the smaller group, benefit the state as the whole. Is there a broad public interest in communities having safe drinking water, or is that only a local benefit?
- Doesn't Value #B address statewide benefit? The statement may need to be reworded to match the content. It looks like the content might cover the various perspectives.
- What about a related issue on whether there is state support for regulatory obligations that can't be afforded by a community?
- Might want to add "for example," to the text on proportionality.
- It may help to split Value #B into two separate concepts: that state funding pays for projects and programs with broad state benefits, another concept talks about paying for legacy projects.
 - On Value #A, think that when specific beneficiaries can be identified, those who receive benefits should pay. Value #B is for when specific benefits cannot be identified. Don't know you implement how State funding should be proportional to the State impacts. How would you measure the public interest? Need to provide a short definition on legacy impacts. It's a good idea to separate out legacy.
 - Can we add text on stressor-pays? It's almost part of the legacy piece.
 - When stressors can be identified, they pay for it. Legacy is when stressors can't be identified or are no longer around.

Value a) Those receiving benefits should pay for them. A nexus and proportionality must be established between charges and benefits. This value recognizes the concept of equity regarding value exchange (i.e. paying in proportion to what you receive).

Discussion

- No comments

Value b) Public funding should pay for broad statewide benefits. The public pays for legacy impacts on California's natural resources when those responsible cannot be identified or no longer exist. Assignment of costs to entities that currently engage in an activity that involves an impacted area should be proportional to their current impacts; not legacy impacts. Public funding should be proportional to the public interest. Some impacts need to be addressed before costs are assigned and it is appropriate in some cases for legacy impacts to go unaddressed indefinitely.

Discussion

- No comments.



General Discussion

The project team asked participants if the three major categories work. Clarification was also sought as to whether the idea of a separate category was now directed to cost allocation.

- A separate category might be helpful. Cost allocation is not the first place I would think to look for this.
 - A separate category should be created for DACs. There are some historic responsibilities to these groups. Cost allocations relate more to funding new projects.
 - The triple-bottom line becomes triple-bottom line + disadvantaged communities.
 - Social considerations usually include equity.
 - The assumption is that these are given equal weight. Are we now giving one of the factors greater weight? It's one thing if you want to do that with grants.
 - DAC preference is not what we currently do. The state can do what it wants to do with its money at the statewide level. State preferences should not apply at the local or regional level.
 - PROPOSAL: There should be a preamble that says this applies to state investment only. Also, the way I see it, we might have the word DAC sprinkled throughout – I see it as part of the social equity.
- Looking at the titles, need to qualify that this relates to State expenditures. For cost allocation, might want to translate “Those receiving benefits.”
- What about beneficiary/stressor responsibilities?
- For chapter 7, in its entirety, need to be clear that this applies to state investments. If otherwise intended, that needs to be stated. The one footnote is that we had done that in earlier drafts, there were complaints that focus on state expenditures seems to suggest that no one else is doing this work.



ATTENDANCE

Alan Hightstreet, CH2MHill
Tracie Billington, DWR, Manager, IRWM Grants Program
Megan Fidell, DWR
Kamyar Guivetchi, DWR, Statewide Integrated Water Management
Paul Massera, DWR, Water Plan Program Manager
Lewis Moeller, DWR, Water Plan Project Manager
Elizabeth Patterson, DWR
Lisa Beutler, MWH, Water Plan Executive Facilitator
Judie Talbot, CCP, Facilitator

Webinar

Grace Chan, Metropolitan Water District
Al Herson, American Planning Association
Chris Keithley, CalFire
Danny Merkley, California Farm Bureau Federation
Cathy Pieroni, City of San Diego
Mark Stadler, San Diego County Water Authority
Goldy Thach, City of San Diego

Loren Bottorff, DWR
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